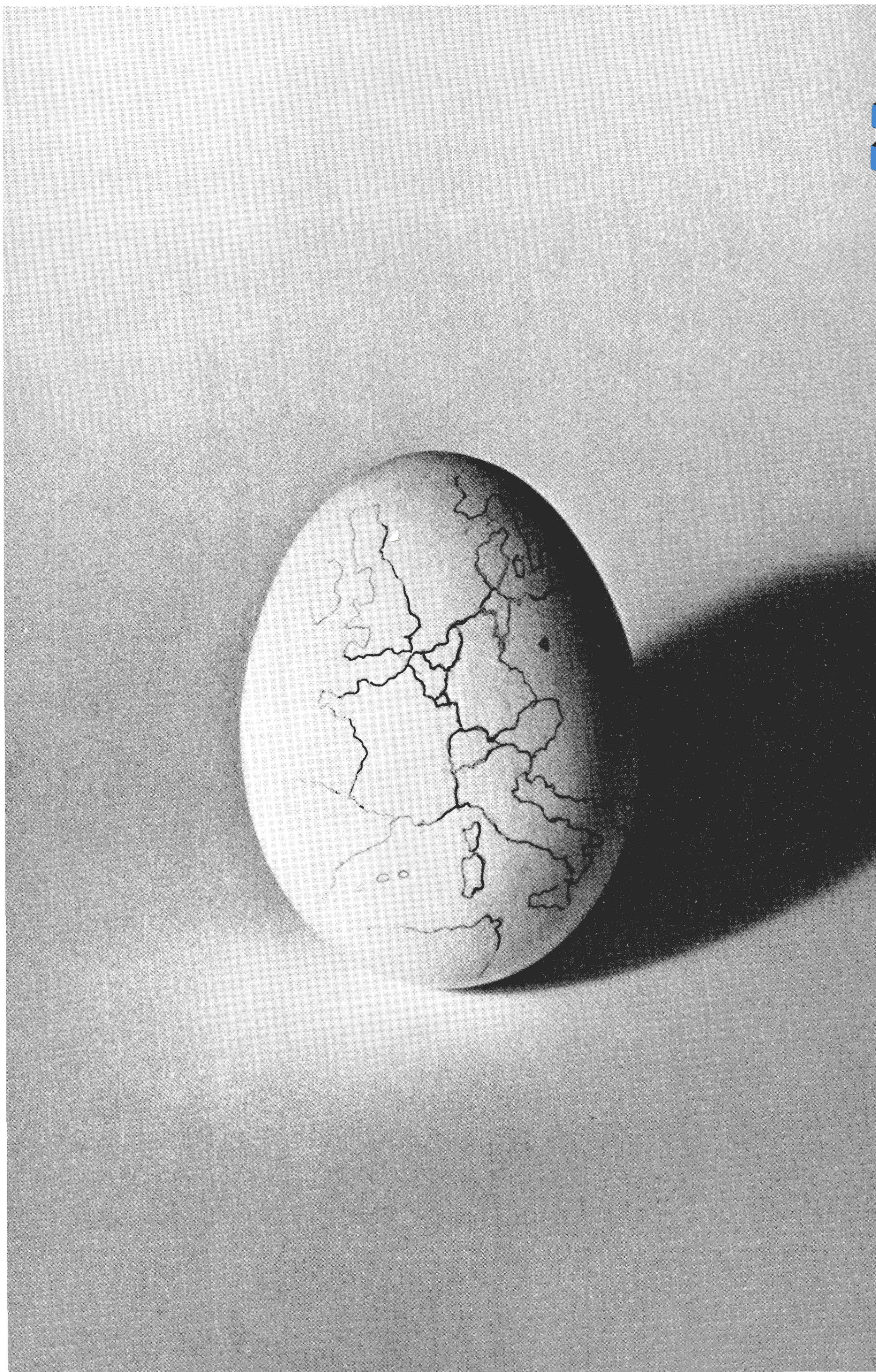

european community

APRIL 1974 NO. 175

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Cover: Is European unity cracking? Will new life emerge from the present crisis? (See pages 8 and 12.)

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Community News

Krag Presents Letter of Introduction

The new Head of the Delegation of the Commission of the European Communities in Washington, Jens Otto Krag (right), presented a formal letter of introduction from the EC Commission to US Secretary of State Henry A. Kissinger on February 14. Former Danish Prime Minister Krag replaces Ambassador Aldo Maria Mazio, who served in the Washington post from October 1971 through December 1973.

Ortoli Says Commission Has Not Failed

The EC Commission has not failed to carry out any of its duties, Commission President François-Xavier Ortoli told the European Parliament in Strasbourg, France, on February 14. Ortoli spoke in response to the Socialist Group's announced intention to introduce a motion to censure the Commission for failing to enforce majority voting rules in the Council of Ministers and for failing to execute the EC Treaty of Rome's provisions for electing the Parliament by universal suffrage. Defending the Commission, Ortoli pointed to its work on monetary, agricultural, regional, and energy matters and noted that the Parliament's budgetary powers have been increased by the Council, acting on a Commission proposal.

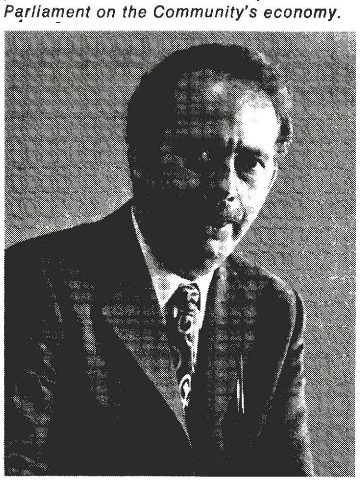
The real problem, said Ortoli, is what action the Community should now take to resolve the current state of crisis in the Community (see page 12). Ortoli called for clear and binding decisions in three vital areas: regional policy, economic and monetary union, and energy. Recognizing the need for conviction to move Europe into the future politically, he warned against racing ahead without solving the Community's immediate institutional problems.

Commission Reports on EC Economy

Initiation of a common energy policy, launching the Regional Development Fund, and transition to the second stage of economic and monetary union should now become the cornerstones of the Community's economic policy, Ralf Dahrendorf told the European Parliament in Strasbourg on February 14. Dahrendorf, EC Commissioner responsible for research, science, and education, presented the Commission's 1974 report on the Community's economy, outlining the consequences of the energy crisis on the Common Market (see page 9).

The Community's gross national product, which grew at a rate of 8.5 per cent between 1972 and 1973, he said, would only go up by about 2 per cent to 3 per cent in 1974. Inflation will worsen, according to Dahrendorf, with consumer prices going up from the 1973 rate of 8.5 per cent to 10 per cent in all Member States. The Community's employment growth could stop expanding, and reduced business investments could result in massive unemployment. Additionally, Dahrendorf said the EC balance of payments would be seriously affected by the additional $17.5 billion cost to the Community's 1974 energy bill. Dahrendorf forecast further rises in the Community's energy costs in the next few years, due to its dependence on imports and the slow process of finding alternate energy sources.

Commissioner Ralf Dahrendorf, responsible for research, science, and education, presented the Commission's report to the Parliament on the Community's economy.



Dahrendorf warned of the social, economic, and monetary dangers inherent in a return to autonomous and protectionist national policies. He urged Member States to work together in resolving current difficulties along the lines of the Commission's January 23 proposals to the Council of Ministers.

The proposals include a call for Member States to avoid competitive devaluations and establish continuous consultation on policy changes. They also call on the Council to fix quotas for short-term monetary support, and on Europe's financial institutions to find ways to mobilize monetary authorities' gold reserves both within and outside the Community. The Commission also called on the Community to evaluate the International Monetary Fund's proposals for improving balance of payments while giving attention to the interests of developing countries.

Thomson Points to Regional Policy

If the EC Member States are genuinely seeking a way out of the European Community's "crisis," they can find it in regional policy, EC Commissioner George Thomson told an audience in Otzenhausen, Germany, on February 8. Thomson, responsible for EC regional policy, addressed representatives of the Institute for Regional Cooperation in Intra-Community Border Regions. (For the Commission's appraisal of the Community's present state of crisis, see page 12.)

Thomson said that establishment of the Commission's proposed Regional Development Fund could provide the Community with the stimulus of a success it badly needs. The Council of Ministers was scheduled to resume its discussion of the Fund later in February.

Thomson welcomed the upcoming May EC "Summit" meeting in Bonn as providing a good opportunity for the EC leaders to prove that the Community is a workable instrument for uniting Europe.

Social Action to Save Jobs

Migrant worker family in Frankfort. Such workers, among the hardest hit by the energy crisis, are given high priority in EC social action.

There is no reason to expect widespread unemployment within the European Community if the right EC and national policies are followed and the maintenance of employment is given priority, EC Commission Vice President Patrick J. Hillery told the European Parliament on February 12.

Hillery, responsible for social affairs, said the group most vulnerable to the unemployment threat caused by the energy crisis, are migrant workers, three-quarters of whom come from third countries (see *European Community* No. 170, page 7). It is time for the Community to face the question of responsibility for these workers, according to Hillery, and to accept a reasonable share of the costs of providing for the normal human needs of these workers and their families.

Hillery said the Commission's social action proposals to improve the EC labor market take on new importance in the current situation. The Community's employment drop could be restrained, he continued, through adopting those proposals, acquiring precise information on job availability and skills required, and possibly by work sharing, curtailing overtime, and introducing shorter working hours.

The Council's resolution on the social action program, according to the Commissioner, has, for the first time, brought a comprehensive commitment by the Community to extensive social reform. He said the Commission will continue to work closely with labor and management and agrees with their demands for greater participation in the Commission's work. For this reason, he added, the Commission fully supports the Council presidency's efforts to hold a tripartite conference of governments, social partners, and EC institutions in the next few months.

Competition Rules Hit Record Cartel

A Dutch phonograph record cartel has removed the clauses from its agreements that had infringed EC competition rules after a complaint by the EC Commission, it was announced in Brussels on February 2.

The Commission had found that the agreements limited retailers' freedom to buy and sell in the Dutch market and suppliers' opportunities to give discounts.

Nederlandse Vereniging Voor Gramofoonplaten Importeurs (NVGI), which controls 90 per cent of the Dutch record market, has agreements with 1,600 Dutch retailers. Its members also include the main Dutch record manufacturers and importers of every world-wide brand.

Paint Firms Exempt From EC Antitrust Regulations

The Transocean Marine Paint Association's exemption from Community antitrust regulations has been extended to 1978 by the EC Commission. The Association of 20 paint manufacturers, operating in a number of EC member and non-member countries, was granted its initial exemption in 1967. Transocean was set up to improve its members' competitive position on the world market by stocking at European ports paints of uniform formulas, bearing the Transocean label. Authorization of the extension was contingent upon removal of previously approved export restrictions, imposed by some member companies.

German Language Training Offered Social Scientists

An experimental German Language Training Program has been created by the German Marshall Fund in cooperation with the Council for European Studies (CES) and the Deutscher Akademischer Austauschdienst (DAAD). The program will be held in Berlin from June 15 to August 15, 1974. The program, to improve American and Canadian social scientists' ability to communicate verbally in German, will focus on effectiveness in communication rather than on the correctness of form. Part of each day will be spent investigating language learning techniques, developing effective means of verbal communication, and working in a seminar environment with German scholars on materials in the students' immediate academic areas.

Any American or Canadian citizen who has taken at least one year of college-level German or its equivalent and is working towards a social sciences doctorate is eligible for the program. Younger post-doctoral scholars in the social sciences with a similar German background are also invited to apply. Approximately 20 participants will be accepted for the 1974 summer program. A few fellowships, provided by the German Marshall Fund and DAAD, are available.

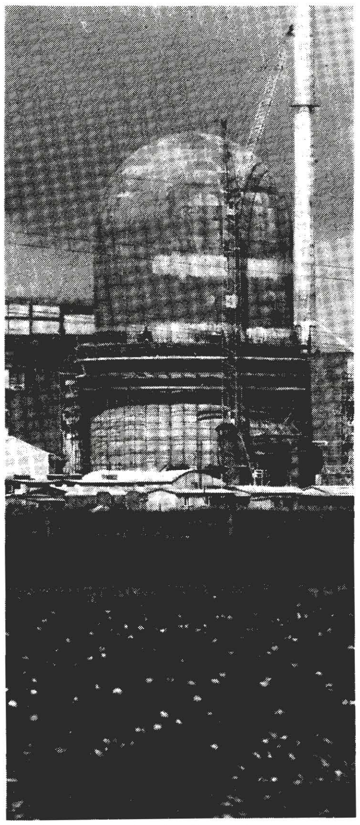
The Council, in conjunction with DAAD, also sponsors a less intensive German language training program at the Goethe Institute in Germany for postgraduate American and Canadian students.

Further information on both programs may be obtained from the Council for European Studies, 156 Mervis Hall, University of Pittsburgh, Pittsburgh, Pennsylvania 15260.

Commission Promotes Nuclear Energy

As part of the Community's continuing effort to develop a common energy policy, the Commission proposed to the Council in February a comprehensive program to promote nuclear energy within the Community. The plan calls for sustained action in three priority areas: environmental and public health; industrial, scientific, and technological foundations; and secure and adequate fuel supplies.

The Commission called for studies and directives concerning the radiological risk of nuclear installations, thermal pollution, transport of radioactive stocks, and power plant worker safety. The Commission reasserted the need for an EC scientific and technological policy with nuclear energy as a principal objective. The Commission also called for Community-level consultation to improve nuclear equipment, to develop uranium resources, to promote competition in the nuclear sector, to develop new techniques and technology, and to explore ways to put the EC nuclear industry in the export market.



Nuclear center in Gundremmingen, Germany.

EC Commission, United States Sponsor Environmental Symposium

An international symposium on "recent advances in the assessment of health effects of environmental pollution" will be held in Paris June 24-28. The EC Commission, the US Environmental Protection Agency, and the World Health Organization are sponsoring the symposium.

The symposium's aim is to evaluate methodologies and techniques for establishing relationships between pollution and health. The program will cover: exposure assessment of general and selected population groups; metabolic aspects of pollutants in exposed individuals; evaluation of suspected or observed health effects from exposure to environmental pollutants.

Of interest to specialists in public health and research aspects of environmental pollution, the symposium is open to anyone who registers by April 15 with the symposium's secretariat at: Commission of the European Communities, Health Protection Directorate, 29 rue Aldringen, Luxembourg.

EC Commission Proposes Reduction in Sulphur Pollution

European Community domestic heating furnaces and diesel trucks will have cleaner exhaust fumes if the Council of Ministers adopts a Commission proposal setting sulphur content standards for fuel oil.

The February 19 proposal would limit sulphur content to 0.5 per cent on October 1, 1976, and to 0.3 per cent after October 1, 1980. Less stringent standards would apply to fuel burned in areas where sulphur from fuel oil is not a heavy pollutant: 0.8 per cent by October 1976, and 0.5 per cent by October 1980. These regions would be selected by the Member States on the basis of criteria approved by the Commission.

The Commission believes that the environmental advantages of these standards justify the almost 5 per cent higher cost of fuel oil and the 1 per cent greater use of crude oil which would result from the new standards.

European Cooperation in Nuclear Fusion Continues

Fifty European thermonuclear scientists met in Culham, England, February 13-15 to discuss a large-scale experimental fusion project called Joint European Tokamak (JET). The project is part of a continuing EC Commission thermonuclear program.

Smaller fusion facilities have already been built in laboratories associated with the Commission in Fontenay-aux-Roses, France, Garching, Germany, Culham, England, and Frascatti, Italy. The larger JET project, based on the confinement of plasma in a donut shape configuration maintained by a magnetic field, would constitute a significant forward step in the development of fusion reactors.

The JET project design was authorized by the EC Council of Ministers in December. An EC program for research in thermonuclear fusion, a potentially important energy source, has been in existence since 1959.

All industrialized countries are active in fusion research. A breakthrough is expected by the end of the decade demonstrating the scientific feasibility of fusion power.

"Green Card" Checks Abolished

Europeans will find automobile traveling easier following two EC Commission decisions on February 20. The Commission abolished frontier checks of auto insurance registration ("green cards") between the Common Market and Sweden, Norway, Finland, Austria, and Switzerland, and between the original EC "Six" and the three new EC members (Britain, Denmark, and Ireland). The "Six" abolished intra-border checks on July 1, 1973, as recommended by the Commission.

The decisions, which carry out a 1971 Council directive, were facilitated by national motor insurers' comprehensive guarantee to settle accident claims on vehicles insured in another Member State. The guarantee also allows an EC citizen injured by a car insured in any of the Member States to apply directly to his national bureau for compensation instead of having to initiate proceedings abroad.

Pollution foam on the Seine River, France.

EC Bans Non-Degradable Detergents

The European Community has placed a ban on the sale of detergents with an average degradability rate of less than 90 per cent. The standard, adopted by the Council and Ministers in December, is the highest set by an international organization and exceeds the levels given in the regulations of most Member States. The Council also adopted a system for Community inspection of the biodegradability of detergent foaming agents. These measures are aimed directly at reducing water pollution.

Kohnstamm Heads University Institute

The EC Council of Ministers has named Max Kohnstamm as the first president of the European University Institute in Florence.

The European-level postgraduate institution was created through a Convention signed in 1972 by the six founder EC Member States. The aim of the Institute, as set forth in the Convention, is "to contribute in the field of higher education and research to Europe's cultural and scientific heritage, including Europe's diversity as well as its unity." The Institute's financing is prorated among the EC Member States. After 1978, the Institute may be financed directly from Community funds.

Kohnstamm, whose most recent post was as president of the European Community Institute for University Studies in Brussels, serves as vice president of the Action Committee for a United States of Europe. In 1952, with the formation of the European Coal and Steel Community (ECSC), he became the ECSC High Authority's first secretary.

Sulphuric Acid Producers End Agreement

Belgian sulphuric acid producers have terminated a joint sales agreement which violated EC competition rules, the Commission announced on January 28. The action came after a Commission complaint that the agreement infringed price competition.

The non-ferrous metals industry had sold its sulphuric acid through Asybel SC, of Brussels. This joint sales office also had export rights. The producers had been paid a single price per ton, calculated at the end of the year on the basis of Asybel's total revenues and deliveries.

EIB Helps Expand Telephone Service in Ireland, Italy, and France

Ireland will have a modernized and extended telephone service with the help of a European Investment Bank loan of 15.3 million units of account (UA). (One UA equals one 1970 dollar.) The 20-year loan will be used by the Irish Department of Posts and Telegraphs to finance the first stage of a 5-year program to provide 34,000 new subscriber connections, automate and improve telephone exchanges, and set up a new international exchange to improve communications with Europe.

The project will help raise Ireland's telephone density, the lowest in the Community (12 per 100 people), to a level on a par with the other Member States. The ratio in the rest of the Community ranges from around 19 per 100 in France and Italy, to almost 35 in Denmark. Ireland's telephone automation rate (85 per cent) will also be brought closer to the other members' average of 96 per cent.

The EIB has also recently granted loans to aid telecommunications development projects in France's Poitou-Charentes region (UA 25 million) and in Italy's Calabria region (UA 29.7 million). (See page 18.)

Month in Brief

FEBRUARY 1974

4-5 Council of Ministers meets in Brussels to discuss general affairs (see page 7).

11-13 Commission President François-Xavier Ortoli, Commission Vice President Wilhelm Haferkamp, responsible for economic and monetary affairs; Commission Vice President Christopher Soames, responsible for external affairs; Commission Vice President Henri Simonet, responsible for energy policy, and the Council of Foreign Ministers attend Washington Energy Conference (see page 8).

11-15 European Parliament holds plenary session in Strasbourg, France (see page 3).

18-19 Council of Ministers meets in Brussels to discuss economic and financial affairs.

18-20 Council of Ministers meets in Brussels to discuss agriculture.

18-23 Commission President François-Xavier Ortoli visits Japan (see page 7).

26 Council of Ministers meets in Brussels to discuss cooperation and development.

Council Moves to Improve Decision-Making Procedure

Recent meeting of the EC Council of Foreign Ministers in Brussels.

The Council of Ministers, on February 5, adopted a series of measures to improve its decision-making procedures.

The measures call on the Council president to increase his role as a coordinator, to meet periodically with the EC Commission president, and to submit a six-month work program and timetable to the Council. Seven months before beginning a term of the Council presidency, the Member State to hold the office is to publish a calendar of meetings.

The Council also decided that related items will be grouped on each meeting agenda so that they can be dealt with in reference to each other. After an agenda item has been discussed, a working party will summarize Council conclusions, while the meeting is in progress, to resolve related problems and to avoid lengthy discussions on how the measure in question is to be carried out.

Study Programs

Announcements of special study programs concerning the European Community will appear, when requested by the sponsoring organization, in European Community.

University of Washington Summer Program in Brussels: June 17-August 9; 10 hours of political science credit "investigating the economic, political, and cultural dimensions of European union;" instructor, Stuart A. Scheingold; tuition, $950, including room, board, and travel within Europe; application deadline, April 15; Foreign Study Office, 102 Caledonian, 1416 N.E. 41st Street, University of Washington, Seattle, Washington 98195.

The program includes trips to the European Court of Justice in Luxembourg and to the European Parliament in Strasbourg and a one-week trip to Britain.

Ortoli Visits Japan

François-Xavier Ortoli, president of the Commission of the European Communities, made an official visit to Japan February 18-23.

Ortoli's visit was to include meetings with Japanese Prime Minister Kakuei Tanaka; Japanese ministers of foreign affairs, finance, international commerce, and industry; EC Member State ambassadors to Japan, and representatives to the Japanese Federation of Economic Organizations (KEIDAREN). Ortoli was also scheduled to be received by Japan's Emperor Hirohito.

Weather Center Head Appointed

Professor Aksel C. Wiin-Nielsen has been named Director of the new European Center for Medium-Range Weather Forecasts. The Center was established by a Convention signed October 11, 1973, by the nine EC Member States and by Austria, Finland, Greece, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and Yugoslavia.

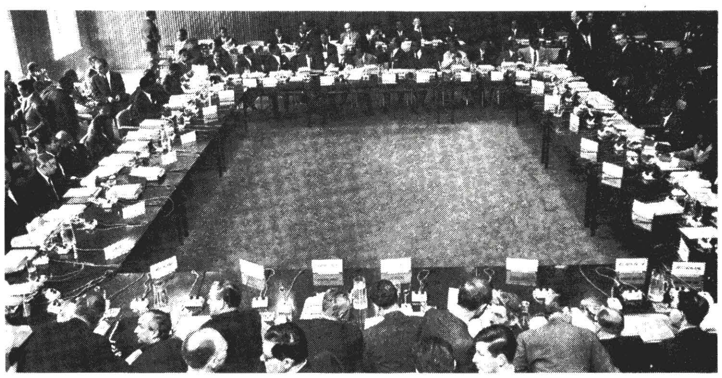
Nielsen, a Danish citizen, was appointed by an Interim Committee created to plan operations to be undertaken by the Center. Nielsen, a meteorological specialist, was Professor of Atmospheric Science at the University of Michigan at Ann Arbor from 1963 until he assumed the Center directorship on January 1.

EC Council Invites Grenada to Talks

The newly independent Caribbean state of Grenada has been invited to take part in the current negotiations between the European Community and Associated and "Associable" developing countries to replace the Yaoundé Convention.

Grenada gained its independence from Britain on February 7, 1974. The Council of Ministers decided to extend the invitation during its February 5 meeting in Brussels.

Meeting in Brussels of the original Yaoundé Associates.



Conference and Crisis

Washington Energy Conference Spotlights EC Crisis

EMANUELE GAZZO, *editor of the Brussels daily newsletter* Agence Europe

The February 11-13 Washington Energy Conference has been interpreted as both a cause and an effect of European disintegration. Whatever the interpretation, the European Community made public another of its, by now, famous crises—in the words of Newsweek, *"to wash the European family's dirty linen in a foreign capital." Here, Emanuele Gazzo, a long-committed "European," analyzes the energy conference and the current EC crisis. "Lucidity begins by sincerity and severity with ourselves," he says. The article, translated from French, has been edited and abridged.*

An initial and perhaps naive observation stands out. Most of the European news accounts of the energy conference were characterized more by their reflection of respective national views than by a global analysis of the conference and its communiqué. The same holds true for editorials and commentaries, which tried to explain and justify the success or failure of various national theses and neglected analysis of the controversial issues, the real divergences in viewpoint, and the convergences achieved. This observation is disturbing, for it illustrates the absence of "European" media which would form and reflect European, not national, opinion.

More serious perhaps, each national view represented itself in good faith as the true European view. Thus, the Community's division, which showed in Washington, does not originate solely in divergences in national interest but in conceptions of Europe itself. If not opposing, these various conceptions are at least difficult to reconcile.

NOTHING UNPREDICTABLE

What happened in Washington did *not* provoke a crisis in the Community. Rather, it demonstrated the state of crisis that had already existed in the Community. The EC Commission had judged the situation serious enough to make an unprecedented and solemn public declaration well before the Washington Energy Conference (see page 12). The other interlocutor in the Community institutional dialogue—the Council of Ministers—had reached the same conclusion. Several days before EC Commission President François-Xavier Ortoli's "State of the Community" address, Renaat Van Eslande, Belgian Foreign Minister and thus a member of the EC Council, had called attention to the Community's "grave state of crisis."

Nothing that happened in Washington was unpredictable. The Community came to the conference without a common energy policy. The other participants—the United States, Canada, Japan, and Norway—had already formed their respective policies yet could adapt them quickly. This "assymetry" was, of course, to Europe's disadvantage, but no one could be blamed except Europe itself. An EC energy policy could not be developed simply by a change of venue from Brussels to Washington.

In still other ways, the Community came to Washington not as a completely equal partner. To "tell it like it is": European security still depends on the United States.

At the same time, however, Europe refused to play its own trump, namely its interdependence with the United States in most sectors, including defense. This interdependence is in fact one of the preconditions for Europe's independence. By refus-

Representatives from 13 major oil-consuming countries—the EC "Nine," the United States, Canada, Japan, and Norway—met February 11 in the US State Department's International Conference Room to open the Washington Energy Conference.

French Foreign Minister Michel Jobert (right) Jacques Kosciusko-Morizet, French Ambassador to the United States, at the Washington Energy Conference.

ing to exploit this interdependence, Europe does not influence US policy as much as is possible.

Instead of being conscious of its power to influence US policy, the Community, as seemingly always in similar situations, came to Washington with an inferiority complex. This psychological hang-up condemned the Community from the conference's beginning. It was paralyzed to act or react flexibly and effectively to US suggestions and ideas. Yet it was inconceivable to have come to Washington simply to say "no." Unanimity can never be reached if one partner is unable or refuses to discuss matters, especially with an ally.

It is tempting to admit resignedly that the Community will fall apart every time it faces fundamental problems on which political wills diverge. No mechanism exists which allows them to converge, to form a European will. The crisis, then, is a political one. If the "Nine" fail to attack it as such, the crisis can only become more serious.

One political problem concerns relations with the United States, including defense issues. Again, psychological factors play an exaggerated role. But differences in substance and approach among the Nine concerning relations with the United States are not really fundamental. Proof lies in the unanimity of the Nine in the "Declaration on the European Identity" (see *European Community* No. 173, page 6) and the draft declaration on US-EC relations (see *European Community* No. 170, page 3). Both documents emphasize that the lessons of history show the necessity of strong ties between the United States and Europe.

Energy Crisis in Figures

In accordance with the energy guidelines set up at the Copenhagen "Summit" (see *European Community* No. 173, page 8), the EC Commission reviewed the energy crisis' present and foreseeable impact on production, employment, prices, balance of payments, and monetary reserves in the Community. Effects will vary from country to country, the Commission noted but nonetheless arrived at some overall conclusions and predictions. The Commission's report, released January 30, included the following:

- During the first quarter of 1974, EC crude oil imports will probably amount to 137 million tons, compared with 141 million tons in the first quarter of 1973 and 161 million tons in the last quarter of 1973.
- Average crude oil prices in 1974 are estimated at almost 180 per cent higher than in 1973.
- Higher oil prices will mean a 2-3 per cent increase in the general level of prices throughout the Community.
- Industries most affected by the energy crisis are chemical and plastic, building and construction, textile, cement, glass, ceramics, tourism, trade and other services, rubber, and auto and other transport construction. Other industries may be stimulated by the crisis.
- Total production increases in 1974 are estimated at about 1.5 per cent.
- Real economic growth in 1974 is estimated at 2-3 per cent.
- The impact on employment will spread unevenly over the various economic sectors. Overall, however, both an increase in the unemployment rate and a loss of employment units (number of hours worked by a person employed for one year during statutory working hours) are expected.
- Solely due to the oil crisis, the EC current account *vis-à-vis* non-member countries will probably deteriorate by $17.5 billion in 1974, corresponding to approximately 1.5 per cent of EC gross product and 17 per cent of EC exports to the rest of the world.

But this and other political problems, which the Nine have decided should be "common" and thus form Europe's destiny, require political dialogue, not technical procedure. This was no doubt the idea behind French President Georges Pompidou's call for regular "fireside Summits" (see *European Community*

No. 173, page 6). But the Copenhagen Summit was just a start, for political intentions had still not overcome technical obstacles. An appropriate forum is needed for representative, democratic, and political discussions, such as a directly-elected European Parliament. Political action can come only with dialogue that creates and stimulates political will.

DOUBLE BIND

Absence of political dialogue precludes political action. Conversely, political action is needed to animate political discussion. To escape this double bind, there are two priority areas:

First, in the field of energy, the Community can and should take direct—but not exclusive—cooperative action with all Mideast countries. The Community could act as a promoter of solidarity among the countries in the region, now divided by unequal economic development and different political views. But any European action in this area must be done on a Community-level. Otherwise, Europe might export its own divisions and rivalries.

Conference Comment

"Sometimes there are disagreements not because people do not understand each other but because they understand each other only too well."—*US Secretary of State Henry A. Kissinger.*

"One cannot paper over fundamental problems by semantic efforts."—*German Foreign Minister Walter Scheel, president in office of the EC Council of Ministers.*

"How could the Community in a period of crisis come to a common energy policy when during previous years not even a start had been made in that direction."—*Alfons Lappas, president of the EC Economic and Social Committee.*

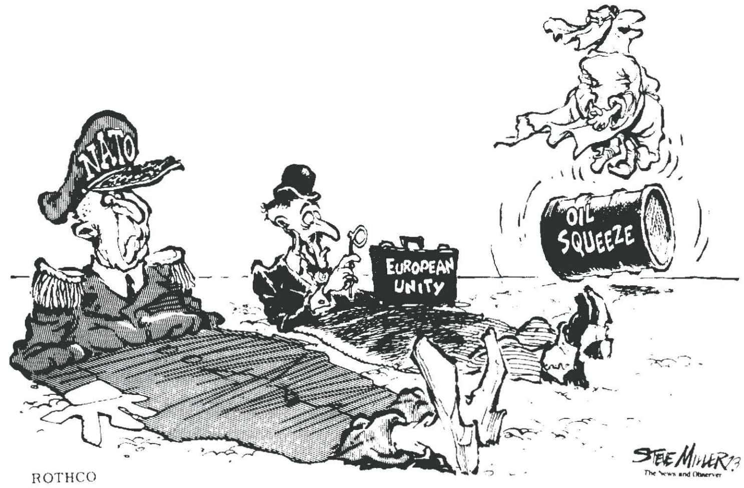
"It is not the first time that we find ourselves isolated in European affairs, and holding to our position. You will find in due course that we were right."—*French Premier Pierre Messmer.*

"We do not want to be put at a choice between good relations with the United States and unity on Common Market energy policy."—*German Foreign Minister Walter Scheel.*

"A sad show. . . . It is difficult for me to remain optimistic about European integration."—*Former EC Commission President Sicco L. Mansholt.*

"The world does not wait for Europe."—*EC Commission Vice President Wilhelm Haferkamp.*

"We must roll up our sleeves and get to work to refurbish and restore the idea of unity."—*EC Commission President Francois-Xavier Ortoli.*



Steve Miller, News and Observer, *Raleigh, North Carolina.*

The second area of priority action involves the EC regional policy. Since the proposed regional fund would involve enormous financial transfers between the Member States, European integration in all areas must proceed at a commensurate rate. This means open, democratic, political discussions; renewed political will toward economic and monetary union and strengthened EC institutions.

In short, the Community must quickly recover the ground it has lost by responding to the present crisis as it has to crises in the past—using crises as an opportunity to leap forward.

EC Commissioner Claude Cheysson recently gave a lucid analysis of what happened in the United States between the two World Wars: Economic power had been consolidated on a continental level, ahead of political consolidation, for political power was jealously guarded by different states and competing interest groups. The Great Depression and President Franklin D. Roosevelt's policies were necessary to return politics to the public interest on a continental scale.

Europe today is experiencing an analogous situation. On one side, all economic sectors want to preserve the irreversibility of European integration. But at the same time, a political vacuum exists. If it is not filled by political power, economic power will crystalize and consolidate until it itself fills the vacuum. It will then become impossible to dismantle this abnormal economic power. Political and popular forces must realize this danger and take necessary counter actions. Simply to condemn a "Europe of monopolies and technocracies" is useless. A "Europe of men" must be created.

French Foreign Minister Michel Jobert rightly asks that a united Europe be formed "on the basis of the conscious desire of each European country." This desire doesn't express itself in good words but rather by occasional sacrifices. German Finance Minister Helmut Schmidt is also correct when he echoes US President John F. Kennedy: "Ask not what Europe can do for us but what can we do for Europe." Here, too, sacrifices are involved. It is a question which the EC Member Governments and also those governed—that is, the citizens of Europe, as individuals and in a group—should ask. They will find their answer in action.

Conference Notebook

At the black-tie White House working dinner for the senior delegates to the February 11-13 international energy conference, German Foreign Minister Walter Scheel responded for the European Community to President Nixon's toast. The President in Office of the EC Council of Ministers began with a funny anecdote which, as he knew, had a serious point.

"When I left the office last Saturday to come here," he recounted, "the doorman at our Foreign Office asked me, 'Where are you going this time?' I said, 'To Washington. We will be discussing energy.'

"The doorman replied, 'Oh, preventing the world from being blown into pieces.'

"Apparently the man had heard something about atomic energy and thought our conference would be dealing with a bomb. He was not entirely wrong."

The dinner took place on the evening of Monday, February 11, the end of the first day of what was to have been a two-day meeting. Less than 24 hours later, the fuse on the "bomb" was burning perilously short. Tuesday afternoon was dragging into Tuesday evening. There was no communiqué in sight. The Europeans were in caucus. The others waited. Ministers with commitments in Canada and Europe the next day consulted their watches anxiously.

Journalists who had covered the European Community in Brussels felt they were back in the crowded corridors of the Palais des Congrès, where the ministers met in the 1960's.

In short, the European Community, meeting not merely on foreign soil but in the foreign ministry of its superpower ally, was at an impasse. The Nine were deeply and publicly divided. As had happened so many times in Brussels, France was a minority of one.

To keep the fuse of Mr. Scheel's bomb from burning down to the powder, the ministers scheduled a third day's work. In a brief, pro forma resumption of the plenary session, US Secretary of State Henry A. Kissinger and Scheel stated formally their privately arranged understanding. A drafting team of 13 high-level officials would work on a communiqué during the night. They would work from a US draft. The European Community, unable to agree on its own draft, had skirted the problem by agreeing not to offer one. It was Community unity, of a sort.

Eventually, the conference published a 17-point communiqué, one that was substantially along the lines sought by Washington. The subheading for paragraphs 16 and 17 read: "Establishment of Follow-On Machinery." A coordinating group would be created. More, "it should establish such *ad hoc* working groups as may be necessary to undertake tasks for which there are presently no suitable bodies." But an asterisk denoting dissent by France followed paragraphs 16 and 17, as it did paragraph 9, on "the need for a comprehensive action program," and paragraph 10, on monetary and economic questions. French Foreign Minister Michel Jobert had drawn the conference's attention to the fact that France had sent no finance minister or monetary experts to Washington and so could not deal substantively in such matters.

It is difficult to avoid the most elemental explanation of the tension at the Washington Energy Conference. Simply put, it appeared that the United States was again trying to exercise Atlantic leadership on a grand scale—a scale that harked back to the Berlin airlift, the Marshall Plan, and the creation of the North Atlantic Treaty Organization. It seemed France was determined to resist such leadership.

France alone of the Nine had been faithful to the EC mandate, Jobert said. The European Community had come "to talk about technical problems." The Community, he maintained, was "an economic institution, not yet an instrument of political policy." Jobert told the press that he came to talk about energy but, as he feared, was forced to talk about politics.

Kissinger, speaking from the same State Department podium a few minutes later, commented: "When foreign ministers meet, that in itself is a political event."

EDWARD COWAN, *energy correspondent in* The New York Times' *Washington Bureau.*

"State of the Community"

EC Commission Calls for Unity at Time of Crisis

On January 31 EC Commission President François-Xavier Ortoli, at a Brussels news conference, presented the Commission's first declaration on the "State of the Community." The official translation follows.

Europe now faces a stern test—a new situation that all too clearly exposes its weakness and lack of independence and shows up just how badly it needs to be united. And at this time of challenge Europe itself is in a states of crisis—a crisis of confidence, of will, and of clarity of purpose.

The perils are such that the Commission has a duty to call upon the Heads of State and Government and, through them, the citizens of our countries to honor by their deeds their decision to unite Europe and to respond to the challenge before us by resolutely acting together.

Unless they do so, although the Community's routines might survive, they would be no more than a sham covering the most dangerous relapse of its history. If Europe's unity is but a fair-weather phenomenon, we can reach none of our goals either now or by 1980. Europe, faced with this challenge, must show a common resolve. In the past few weeks, setbacks and retreats have been a source of dismay casting grave doubt on the will of our Governments to move forward and on the ability of our institutions to perform their tasks.

The European Regional Development Fund, a touchstone of our solidarity, has still not been set up, despite the undertakings given at [the "Summits" in] Paris and Copenhagen that it would be established by the end of 1973. Nor has the decision to embark on a common energy policy, taken after so much tergiversation, yet been transformed into concrete action.

The transition to a second stage of economic and monetary union has been put on ice, with the withdrawal of the French franc from the Community's monetary agreement: a further relapse from the level of coordination we had reached in 1972. [See page 17].

Again, the Community has so far failed to define its position towards the rest of the world on several major issues, such as the negotiations with the countries of the Mediterranean basin.

The Council all too often gets bogged down in details, so that it is difficult or impossible to reach a common decision. Sometimes agreement is obtained only on the narrowest front with Member States holding back or clinging to mental reservations. All this does grave damage to the Community's image.

Of course progress has been made in certain fields. Difficulties and divergences of view are inevitable. For every point of view there is a reason, and for every failure there is an explanation. But taken together these setbacks tell only one story.

We are reaching the point where policies are becoming national again to the detriment both of our States and of a world which needs Europe to be there as such.

DOUBTS MUST BE DISPELLED

There can be only one reason for the present situation in Europe: there are doubts, even if subconscious ones, over the role of Europe as a means to overcome our short and immediate, or our long-term difficulties and to safeguard the future of our peoples.

These doubts must be dispelled. Without abandoning the pursuit at national level of policies suited to the individual characteristics and problems of each country, and without deceiving our citizens as to the efforts that will be expected of them, efforts which will still be necessary even when Europe acts together, those in power must today in their own name and on behalf of those they govern give a clear answer to two questions:

- Can the economic and monetary policies of our Member States continue to ignore each other and go their different ways, or does the interdependence that has already been established between our economies, and the fact that we face the same problems in our dealings with the outside world, demand a far-reaching harmonization of our aims and our policies?
- At a time when international relations are being reshaped, with crucial consequences for us all, is there any state in Europe that can exert real influence and carry any weight comparable to that of a united Europe?

The time has come to say clearly whether our nations wish to reinforce their solidarity or not, and whether they wish to react jointly or separately to the great internal and external challenges that each one of them faces.

Cartoonist view of the Regional Development Fund, which, according to the EC Commission, is "a touchstone of European solidarity." Behrendt, Het Parool, *Amsterdam.*

Recent EC Commission meeting in Brussels (clockwise from six o'clock): Commissioner Petrus Josephus Lardinois, Commissioner Altiero Spinnelli, Vice President Christopher Soames, Vice President Wilhelm Haferkamp, Vice President Patrick John Hillery, Commissioner Ralf Dahrendorf, Commissioner Finn Olav Gundelach, Commissioner George Thomson, Vice President Henri Simonet, Vice President Carlo Scarascia-Mugnozza, President Francois-Xavier Ortoli, Secretary General Emile Noël, Commissioner Albert Borschette, and Commissioner Claude Cheysson.

These are questions to which there is as yet no answer. There is nothing inevitable about European unity. Europe will not become united unless we make it so.

And these questions can be answered only by deeds. Only by deeds will we be able to halt the dangerous process that has set in. The recent deterioration in our economic position means that all the Member States must adopt a new strategy, and formulate new policies. It is in the interest of the Member States of the Community, indeed it is their duty, to ponder these changes together and to adopt a joint approach. For they are facing the same closely related problems:

• How are they to finance the extra burden on their balance of payments caused by the rising prices of energy and raw material supplies? This problem is equally crucial for every state in Europe, despite the substantial differences in the level of their foreign exchange reserves. [See page 15].

• How do we ensure that the measures taken to remedy external payments difficulties do not seriously harm growth and employment or jeopardize our efforts to achieve greater social justice?

• How, in the long term, do we find the extra energy supplies required for the development of our countries? How are we to diversify our sources of supply in competitive conditions to increase our independence? The difficulties are similar; the aim identical. Our interdependence is such that unless common measures are taken we shall be facing very serious risks.

This interdependence influences and can upset the effects of purely national policies and imposes narrow limits on them. Each of our countries, whether it likes it or not, affects us all by the measures it takes. Each causes or suffers changes such that the effects of its individual acts are uncertain and precarious at home and a potential source of danger to its partners. In the end this may lead to retaliation.

JOINT ACTION AND CONVERGING POLICIES

To meet these constraints, policies must be made to converge, and in some cases we will have to take joint action. If policies are to converge, we shall have to follow a single economic strategy.

(1) We must pursue mutually consistent and concerted economic and monetary policies, without competitive currency depreciations or trade restrictions. These are the rules of the game we must follow, otherwise the benefits of unilateral action would prove fleeting and the machinery of the Common Market would break down. This rule does not apply to Europe alone. The policies of all the major economic units have an impact beyond their own frontiers. It will be in our mutual interest to concert our actions with those who are facing the same difficulties as we.

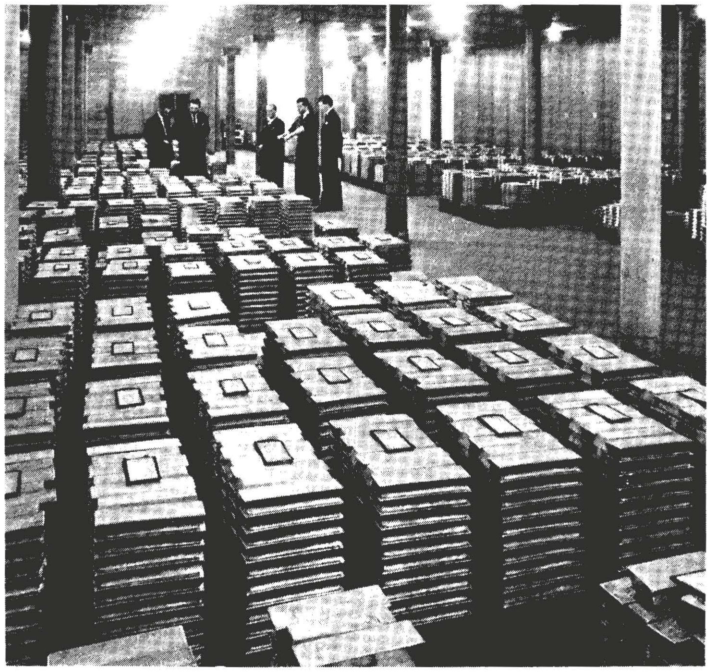
(2) To maintain the highest possible degree of activity and employment, we must lay down general guidelines for a common framework and common disciplines within which national measures can be taken. The extent of the present changes and the concern each of us feels for the future, imply that we shall really have to make a start on that wider participation which we would like to establish as the rule.

(3) We must equip ourselves with the means to apply these policies continuously. This implies permanent procedures of consultation on economic and monetary matters, particularly before any important measure is taken. If a Community strategy is to be put into effect, an outward show of consultation is not enough. We must be able to open discussions, to institute a dialogue, and to take the Community interest into account. The discipline we have accepted in advance must operate to the full. Again we must decide on joint action where this is the precondition for success. This is obviously the case in three fields:

• Within the Community, the difficulties into which the monetary union is running must not deter us from going ahead wherever this is possible. In this way we can show that our determination is not flagging and can prepare the return to a Community discipline that will apply to all. This is only possible by measures that link us closely: reinforced intra-Community credits, a solution to the pricing problems posed by gold transfers between monetary authorities, the introduction of a European unit of account with a wider role, and first decisions on the pooling of reserves.

• Energy must become a field of joint policy. An ordered market is a market governed by one set of rules: supervision of the single market, monitoring and harmonization of prices, concerted saving of energy, and a joint research program.

• Outside the Community, the months ahead will see a substantial restructuring of international economic and monetary relations. Stable and reliable energy supplies on economically reasonable terms will depend on a whole series of international negotiations. Only when Europe acts as an entity will it have the necessary strength to defend the interest of its people in this vast confrontation. Only this Europe will be in a position to contribute fully to the effort which must be made if the developing



". . . economic and monetary union has been put on ice. . . ." Gold vaults in the Bank of England.

countries are to tackle the serious problems into which the new situation has plunged them.

ENERGY TALKS TEST COMMON WILL

International monetary problems which primarily affect the very serious question of our balance of payments must be handled as Community problems, and in these negotiations Europe must speak with a single voice. The external problems of energy must be handled as Community problems, whether by concerting our action with that of the consumer countries or through our relations with the producer countries.

The forthcoming Washington conference on energy problems will be the test of our common determination in this field [*see page 8*]. On the bilateral plane a united Europe will be the most useful and effective partner for organized cooperation with the energy producing countries. More generally, if we wish to avoid being divided against ourselves, all cooperation measures must fit into a Community framework.

In tackling the wider tasks and fresh responsibilities imposed by the present situation, action to remedy the shortcomings that have become apparent in recent months must be given the highest priority. Before all else we must respect the timetable already agreed for instance for the decision to strengthen the budgetary powers of the Parliament, for which the end of March is the time deadline. The Council should also press ahead with its endeavors to improve its own methods of work.

European unity will move forward again only if there is a lasting change in the behavior of our states. They must adopt a new mentality that displays greater resolve and lends added weight to European policies in shaping the future of our people. And that change of attitude must be convincing both within and beyond our frontiers.

Yet all this is not enough. The degree of unity which Europe needs calls for institutions that can carry through a genuine policy without delay and without interruption. The present institutions are coming up against the limits of what they can do. Improvements are indispensable yet they will do no more than make it possible to ensure that the Community can work effectively until we achieve the target our nine countries have set themselves—the creation of a European union.

The Commission calls on all Europeans to play their part in pursuing these common lines of action, and so enable the Community to find itself again by deeds.

Energy and Money

Oil Price Rises Hit International Monetary System

JOHANNES WITTEVEEN, *managing director of the International Monetary Fund*

This year the international monetary system faces perhaps its worst crisis since 1930. The rising price of oil may cause catastrophic disequilibrium in balance of payments, lead to serious decline in economic activity, and give a new push to inflation. The following article originally appeared in the February issue of the French edition of European Community.

The shock from rising oil prices has been felt in the economies of the entire world. The International Monetary Fund (IMF) has calculated that the "western" industrialized countries will have to pay $50-60 billion more for their oil imports in 1974. For the nine EC countries, the figure is estimated at $23 billion.

Such a large capital hemorrhage will further aggravate the economic problems already facing the Community. Taking into account the price rises in manufactured and agricultural goods due to the petroleum product price rises, inflation will exceed 8 per cent annually. In addition, the dearth of supply will probably accentuate the slowdown of economic activity and will raise unemployment.

Finally, the accrued cost of oil will probably cause a deficit in the European balance of payments and seriously threaten the still embryonic system of the Community "snake." The French decision to float the franc is a concrete consequence of the oil crisis' influence on monetary affairs [see page17].

"What a responsibility, having to develop the developing nations and underdevelop the developed ones!" Abu, Indian Express, *New Delhi.*

Behrendt, Het Parool, *Amsterdam.*

DISASTER FOR THE THIRD WORLD

Even if the developed countries' strong economies can weather the crisis without long-term catastrophic consequences, the "Third World" countries present a different case. Many developing countries are threatened with economic disaster by the oil price rises. The present increase in prices has already neutralized United Nations (UN) aid given to these countries. (UN aid equals one-fourth of the total aid they receive.)

The developing countries import less than one-fifth of the total oil imported by the industrialized countries. But the majority of the developing countries' imports are used in vital sectors, which leaves a narrow margin of maneuver in efforts to economize energy consumption. In addition, the general price rise on the international scale will make developing countries' other imports more expensive. Most other imported products are as vital to these countries as oil.

Some developing countries could compensate for these difficulties by increasing prices of their raw material exports. But the slowdown of world industrial activity will reduce the demand for raw materials, leading to a decline rather than an increase in prices.

Other Third World countries which lack raw materials are on the edge of ruin. India, for example, strongly depends on advanced technological industries, especially the petro-chemical industry. But, with its international credits already pushed to the limit, India cannot pay for the crude oil for its refineries. The world cannot ignore this crisis which affects hundreds of millions of people.

HOW TO USE THE NEW MONETARY SURPLUS

The Arab world's new position presents the international monetary system with problems it is not equipped to face. In the last 20 years, monetary disequilibrium (payments deficits in certain countries, excesses in others) was corrected by the system of Special Drawing Rights (SDR's) or by bilateral loans between central banks.

The Arab oil weapon has turned the situation around. In the last three years, Saudi Arabia has seen its reserves rise from $670 million to $3.7 billion. The World Bank estimates that, by 1980, the Persian Gulf oil-producing states will have reserves of $280 billion, 70 per cent of world reserves.

What is to be done with all this money? The economies of these countries, primitive and concentrated on one product, can only absorb a small part of their revenues.

It is here that a ray of hope for monetary stability resides. These monetary surpluses could be reemployed in the economies of developed and developing oil-consuming countries. [For an example of such reemployment, see page 18.]
The IMF and the World Bank could perfect a system to channel the money toward the developing countries and to the Western markets. At the same time, a short-term stability could be assured by financing national purchases of oil through the sale of gold reserves at market price.

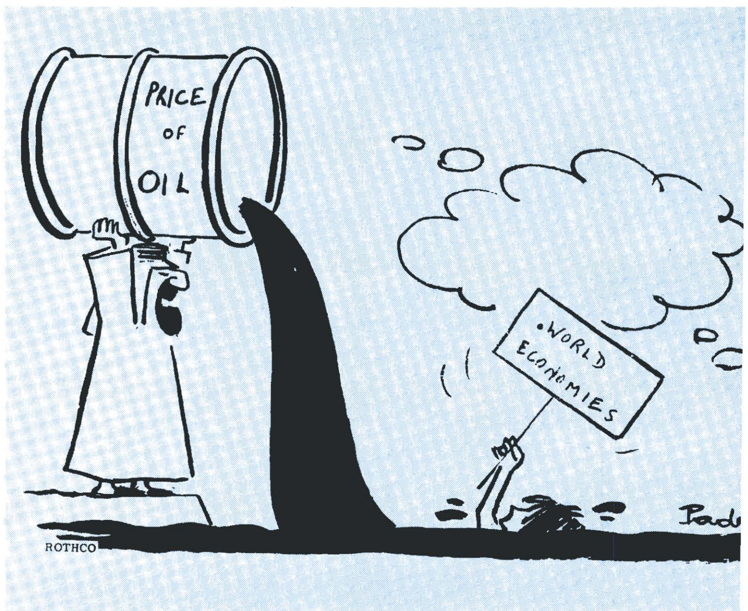
These two plans were proposed at the meeting of the finance ministers of the IMF in Rome in January. There is no evidence, however, that the Arab states would approve these proposals, especially since they have had nothing to do with IMF affairs in the past.

A WORLD-SCALE CRISIS

In any event, the EC member countries should prepare for serious monetary problems.

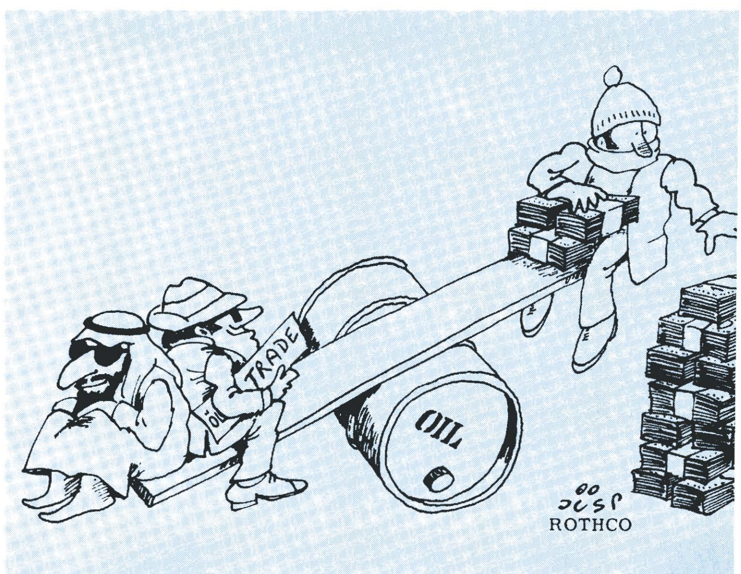
Some EC countries will be able to balance the political capital exit caused by oil price increases—Great Britain, for example, can attract considerable investments and thus find itself in a paradoxical situation of a record commercial balance deficit on one hand and a pound reinforced by monetary reserve increases on the other. Thus, Great Britain may be able to support itself until it has developed its own oil resources (North Sea) in about 10 years.

Other Community countries, like Belgium or France, which do not have this capital market capacity, will be worse off. Their balance of payments could feel a chronic deficit that they could not resolve alone. In fact, it appears that even the most favored nations cannot expect to find individual solutions. The monetary crisis is the last in a long list of common problems that demands common policies and international solutions.



"The Black Sea." Padry, Le Herisson, *Paris.*

"Balance." Jusp, Wir Bruckenbauer, *Switzerland*



Wilhelm Haferkamp "On Record"

Has the EC Currency Snake Become a Worm?

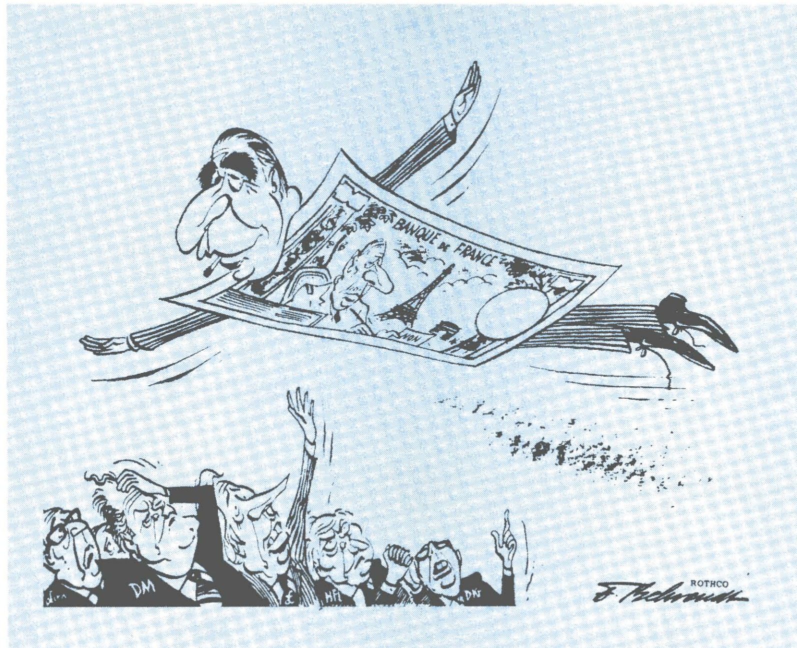
On January 19 the French Government decided to remove the franc from the EC joint currency "snake" and to float the French currency freely for six months. The French action stemmed, at least in part, from anticipation of energy crisis-induced balance-of-payments difficulties (see page 15). The snake, the narrow-band currency spread of 2.5 per cent by which EC currencies (except the British and Irish pounds and the Italian lire) diverged from one another, marked an important step toward the Community's goal of complete economic and monetary union by 1980. The French Government's action, in the words of the EC Commission, has put this goal "on ice" (see page 12). Here, EC Commission Vice President Wilhelm Haferkamp, responsible for the Community's economic and monetary policies, amplifies the Commission's view of the situation. The interview, made shortly after the French Government's decision, has been translated from the German and edited.

Does the franc float mean that prospects for complete economic and monetary union have an uncertain future?
Haferkamp: The Commission considered the French Government's decision to leave the currency alliance within the European snake for six months indeed serious.

Now that the monetary snake has become a worm, what purpose does this mini-creature serve?
Haferkamp: The remaining five Member States' monetary snake is the point of departure for further action toward economic and monetary union. An open door policy for the separately floating Member States' currencies is the Community's most important task in the coming months. The European movement depends upon its success.

What is left of the monetary snake is being called the "mark bloc." Is there a strain on the German currency?
Haferkamp: The five Member States remaining in the snake are in balancing positions with each other. This situation does not exclude temporary tension on foreign exchange markets. It should not be too difficult, however, for the *Bundesbank* to overcome these difficulties in view of its tremendous currency reserves.

What is the EC Commission doing about the French-evoked crisis?
Haferkamp: Commission proposals [see *European Community* No. 174, page 4] are being discussed in the Community's coordinating group for short-term economic policy and should work against Member States' unilateral actions, the economic and political consequences of which can no longer be measured. The Commission has also submitted a declaration on the "State of the Community" [see page 00]. Both documents must be understood as a whole and exhaustively reviewed by the Council of Ministers.



"Floating Away. . . ." Behrendt, Het Parool, *Amsterdam.*

How will economic and monetary union be affected?
Haferkamp: Whether steps toward complete economic and monetary union continue at all depends on the solid action of all Member States and on progress in other areas, in particular regional and energy policies. The Member States' economic interdependence, the danger of reciprocal disturbances, and the Community's vulnerability to outside influences make close coordination on all economic and monetary moves in the Community ever more imperative.

The Council of Ministers must allow for closer cooperation and improvement on monetary support mechanisms as soon as possible. Furthermore, exchange rate, tax, and capital market policies must be synchronized with each other.

German Chancellor Willy Brandt and Finance Minister Helmut Schmidt expressed their understanding for the French move. Was their opinion shared by the EC Commission?
Haferkamp: Chancellor Brandt and Finance Minister Schmidt expressed understanding for France's move but at the same time lamented it. The Commission shares this opinion. The Commission is more than ever convinced that a courageous move toward European unity is essential if the declared goal of a European government is to be believed. Only in this way can European disintegration toward national autonomy be stopped. To wait for better times is an illusion. The times could get worse, in particular if Member States try to save themselves at the expense of their partners.

European Investment Bank

Little Known Institution "Recycles" Money Into EC Development

MARTIN U. MAUTHNER, *senior editor in the EC Commission's Directorate General for Information*

Higher oil prices, which threaten Community countries' economies and especially their trade balances, could result in a boost for the Community's poorer regions, such as Italy's Mezzogiorno, large parts of Ireland, and much of southwestern France. Some of that extra money Europeans now have to pay at gasoline stations and for heating oil should also help speed up the development of alternative energy sources in the Community itself.

The key to these seemingly paradoxical situations is one of the Community's less known institutions—the European Investment Bank (EIB). The Bank borrows money on the world's capital markets and lends it for a variety of projects. Regional development and energy infrastructure projects are among the most important.

Yves Le Portz, the Bank's cautiously optimistic president, believes the Bank will be able to raise capital in 1974 more easily than last year. The reason: millions of extra dollars are being funneled from European and other pockets into the coffers of the oil-producing countries. Although the shahs and sheiks will use a lot of that money to build up their own economies and armed forces, plenty will be left over. Instead of sitting idle in banks, the oil producers' surplus money will be offered to borrowers in European, American, and Japanese markets. France's decision, announced in January, to raise $1.5 billion on the international capital market—the largest loan ever arranged on the Euromarket—shows how Europe will be relying on the Arab states for money as well as oil.

The European Investment Bank also hopes to absorb some of this "recycled" money, according to Le Portz, a former French Inspecteur des Finances. Judging by the EIB's record and by Le Portz's intentions, the Bank will lend large amounts to finance energy production and transportation plans and, above all, programs to revive Europe's sickly regions, both industrial and agricultural. As Le Portz sees it, the changed world economic situation means that the Bank—with a total staff of fewer than 300—should have an increasingly important role to play in 1974:

- To get the Community's regional policy into gear, the EIB will help make available the enormous amounts of capital needed. If the Council accepts the Commission's Regional Development Fund proposal, the Fund would subsidize interest payments on loans granted by the Bank.

- By raising more capital on international markets than in the past, the Bank will help EC Member States bear the brunt of the balance-of-trade deficits caused by soaring oil prices.

- As the "Nine" vigorously take on new energy programs, the Bank will provide some of the necessary long-term capital.

BANK TACKLES ENERGY SHORTAGE

Two examples of how the Bank is helping to reduce the Community's reliance on outside energy, especially oil, were announced in January.

An EIB loan of 14.9 million units of account (one UA equals one 1970 dollar) was granted to Nederlandse Gasunie, of Groningen, the company responsible for the transportation of natural gas in the Netherlands. The loan helps to finance a pipeline that will bring nautral gas from the extreme north of the Netherlands to the German and Belgian frontiers in the south. Most of the gas will come from the Dutch continental shelf and, via a submarine pipeline coming ashore at Emden, Germany, from the Norwegian continental shelf. Gas piped across the Netherlands, about 10 billion cubic meters a year when the network is fully operative, will be sent to Belgium, Germany, France, Italy, and Switzerland.

This pipeline, which should be finished by the end of 1975, will be an important link in the European network the Bank has helped to finance on several occasions in the last few years. Its completion will help not only to secure the Community's primary energy supplies but to diversify energy sources through exploitation of resources in the North Sea.

A second Bank loan, equivalent to UA 15 million, went to the Société Belgo-Française d'Energie Nucléaire Mosane (SEMO) of Brussels. The loan will help pay for the nuclear power station under construction at Tihange, in the province of Liège.

Previous EIB loans to the Tihange power station were granted in 1970 (UA 16 million) and 1972 (UA 14.39 million). SEMO, the project's promoter, was formed in 1968 by Electricité de France and the main Belgian electricity producing and distributing undertakings. They cooperated earlier in the construction of the first nuclear power station at Chooz, in the French Ardennes, less than 65 miles from Tihange.

Since 1967 the EIB has granted 15 loans totalling UA 279 million for the construction of 10 nuclear power stations.

In 1973 the Bank increased its financing for energy production and transportation by over 40 per cent. Projects of this type totaled UA 227.8 million last year or about a third of all the Bank's operations in the "Nine."

Loans for the construction of nuclear power stations amounted to UA 134.7 million. The loans went to the high-temperature power station at Uentrop (North Rhine-Westphalia) using advanced technology, and the more conventional power stations at Biblis and Neckarwestheim (Baden-Württemberg) and Bugey (Rhone-Alpes). A loan of UA 16.2 million contributed to the construction of the hydroelectric power station at Gambsheim in Alsace.

To increase natural gas supplies, the Bank lent UA 43.3 million for the Trans-Austria Gasline project, designed to carry Soviet gas to the Community's gas pipeline network. (A clause in the Bank's statute enables it to aid a project outside the Community if the project is of interest to EC Member States.)

For hydro-carbon exploration at sea, the EIB granted a loan of UA 24.4 million for the acquisition, by a subsidiary of the Italian ENI group, of two drilling platforms.

The European Investment Bank helps finance projects, such as the European Airbus, *involving advanced technical and economic cooperation between companies in different Member States.*

BANK AIDS REGIONAL DEVELOPMENT

In accordance with the general directives laid down by the EIB Board of Governors, projects of regional interest remained in the forefront of the Bank's activities last year.

To help regions facing development or conversion problems, the Bank granted UA 424.5 million compared with UA 341.8 million in 1972. Almost a third of the money went to projects in Italy. Other loans aided regional projects in France, Germany, Britain, Ireland, and Denmark. They included:

- In the steel sector, two British projects in South Wales (Llanwern) and Northern England (Teesside), a small bar mill in the Saar, a mini steelworks in Southeastern France, and a tinplate and iron sheeting factory in Campania.

- In the mechanical and engineering manufacturing sector, factories making civil engineering equipment in Schleswig-Holstein, telecommunications equipment in Sicily, and cars in Lower Bavaria, the Saar, and the Molise regions.

- A cement works in Sicily and sanitary-ware factories in Alsace and Schleswig-Holstein.

Six loans totaling UA 109.6 million were granted to intermediate financial institutions in member countries. In turn, these institutions, with the Bank's approval, appropriate sums to finance small and medium-sized industries of regional interest. The banks also helped finance the expansion and modernization of telecommunications networks in Midi-Pyrenees, Poitou-Charentes, Ireland, Calabria, and Sardinia.

ESTABLISHED BY TREATY

Set up under the European Economic Community (EEC) Treaty, the Bank operates independently, on a nonprofit basis. Its task, as defined by the Treaty, is to contribute to the balanced development of the Community. Since 1958 it has signed 480 contracts for UA 3.7 billion.

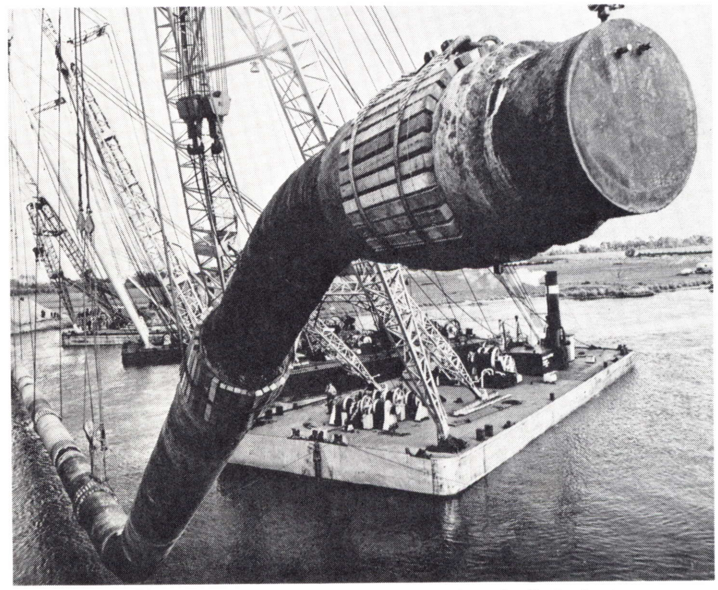
The Bank has no political functions and has its own decision-making bodies. At the top is the Board of Governors, consisting of EC finance ministers. The governors lay down general policy,

Dam, partially financed by EIB loans, to irrigate land in two Member States, Germany and France.

approve the balance sheet and annual report, and appoint members of the Bank's other bodies.

Next in line is an 18-man Board of Directors, which decides on loan applications, fund raising, and interest rates.

Responsible for the Bank's day-to-day business is the Management Committee, consisting of the president and four vice presidents. These fulltime officers also serve as chairman and vice chairmen of the Board of Directors and see that the Board's decisions are carried out.



Floating cranes lay natural gas line under the Yssel River, the Netherlands.

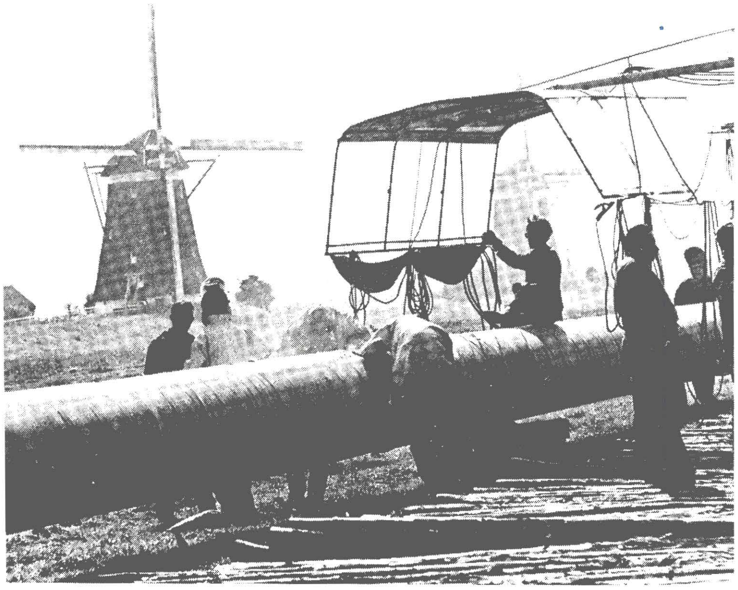
The Bank's resources consist of reserves, subscribed capital, and funds raised on the capital markets. Its total funds at the beginning of 1973 stood at UA 2.2 billion. Capital subscribed by EC Member States totals UA 2 billion, of which 20 per cent is paid up.

The Bank lends money to private firms, public enterprises, public authorities with financial autonomy, and financial institutions. They can be of any nationality, but the project must normally be situated in an EC Member State or Associate. Loans made directly to firms, public enterprises, and public authorities are generally in support of large projects. Since the Bank prefers to make loans of not less than UA 500,000, small- and medium-sized firms generally benefit through "global" loans made to a national or a regional financial institution, which acts as an intermediary.

As a nonprofit organization with ready access to international capital markets, the Bank can offer attractive interest rates. For industrial projects a loan's duration is generally seven-to-12 years, but for investment in infrastructure projects a loan may be up to 20 years.

The EIB usually asks borrowers for guarantees from an industrial or financial group associated with the project, from a bank, from a public authority with excellent credit, or from the government concerned.

The Bank's loans are intended only to supplement finance obtained from other sources and rarely exceed 40 per cent of the fixed capital cost (excluding working capital). In practice EIB loans average about 22 per cent of fixed project costs, although the percentage for industrial projects is generally higher than that for infrastructure projects.



Dutch natural gas transmission network also goes below ground.

AID TO MEMBERS AND ASSOCIATES

Over 80 per cent of the Bank's aid has gone to projects located in Member States, and about 75 per cent of these loans have been for regional development (with Italy the largest beneficiary). Projects of common interest to several Member States have attracted about 20 per cent of the loans.

Projects in underdeveloped regions include irrigation in Sicily and Languedoc, power stations in Campania, the motorway from Messina to Catania, telephone networks in southern Italy and France, railroad electrification in Brittany, expansion of manufacturing facilities in Lower Saxony, and the purchase of *Mercure* aircraft for France's domestic air routes.

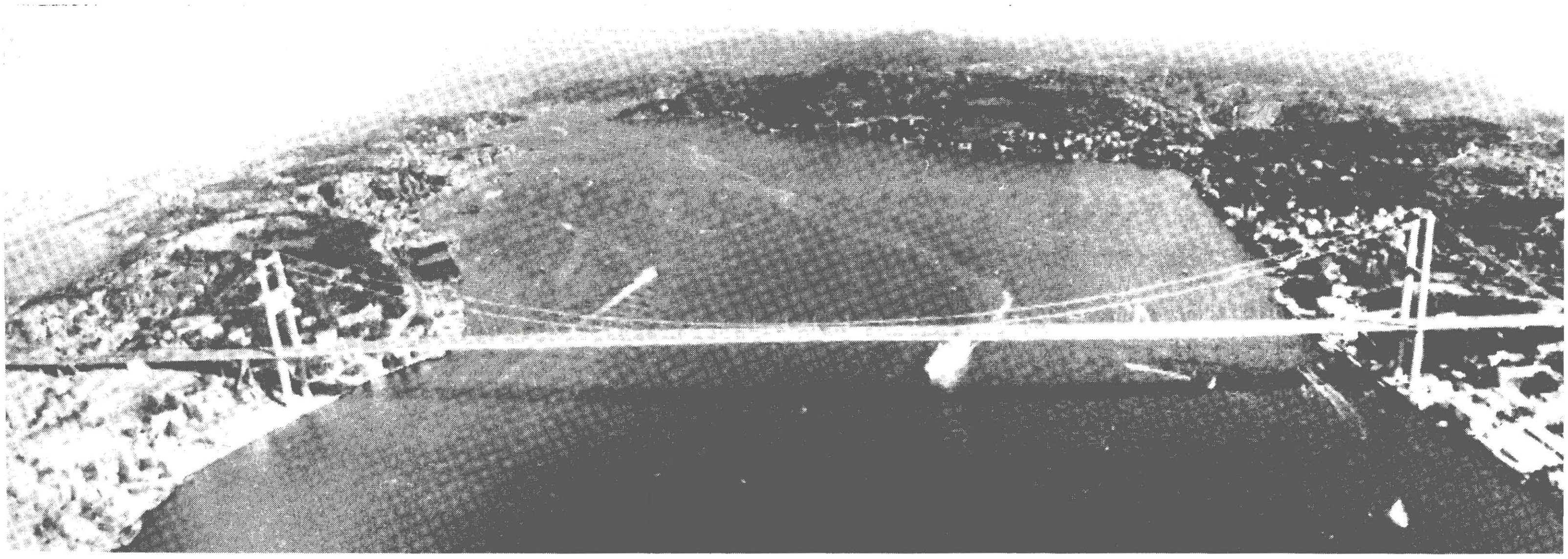
Projects in industrial areas faced with structural difficulties include construction of an aluminum plant in Essen, modernization of a shipyard in Northern Italy, and conversion of a shipyard in Brittany.

Among projects with a technological basis of prime importance for European development are energy infrastructure plans such as nuclear power stations construction in Germany, France, and Belgium.

Examples of infrastructure investments of common interest to several Member States are the Paris-Brussels highway and electrification of the Moselle railroad line. Other projects involve advanced technical and economic cooperation between companies in different Member States, such as the European *Airbus*, or serve a particular Community interest, for example power stations in West Berlin and the European School in Luxembourg. (Normally, however, the Bank does not support such infrastructure projects as housing, schools, universities, hospitals, and urban roads.)

Under the Community's association agreements, the Bank's activities have been extended to Greece, Turkey, the 19 Yaoundé Associates, and the associated overseas countries and territories. The Bank makes loans available from its own resources at its normal terms and at special terms, and administers the European Development Fund's resources assigned to loans for projects in such countries and territories. Thus, the Bank contributed UA 20 million to the cost of building the Bosphorus bridge, completed last year. It is the first road link between the Asian and European parts of Turkey.

The European Investment Fund helped finance the 1000-yard-long, six-lane Bosphorus Bridge linking Asia and Europe.



Letters to the Editor

Correspondence from readers of *European Community* is invited. The "Letters to the Editor" column not only allows readers to state their opinions on articles published in *European Community* but also, more broadly, serves as a forum for dialogue on the Community and on US-EC relations. Reader correspondence should be addressed to: The Editor, *European Community*, Suite 707, 2100 M Street, NW, Washington, DC, 20037. *European Community* reserves the right to edit the letters.

RESOLUTION 242

This is to inform you of an error in Vincent Roberts' "Chronology of a Crisis" [European Community *No. 173, page 9].*

He says that "Israel was urged to return to her pre-1967 borders by United Nations Resolution 242, but refused." The resolution does not say this.

An American statesman who led the US Delegation to the United Nations in 1967, Ambassador Arthur J. Goldberg, submitted an authoritative interpretation of the meaning of Resolution 242, in a speech in Washington on May 8, 1973. He denied that it calls for complete Israeli withdrawal:

"Resolution 242 does not explicitly require that Israel withdraw to the lines occupied by it before the outbreak of the war. The Arab states urged such language; the Soviet Union, as I have already mentioned, proposed this at the Security Council, and Yugoslavia and some other nations at the Special Session of the General Assembly. But such withdrawal language did not receive the requisite support either in the Security Council or in the Assembly.

"Resolution 242 simply endorses the principle of 'withdrawal of Israel's armed forces from territories occupied in the recent conflict,' and interrelates this with the principle that every state in the area is entitled to live in peace within 'secure and recognized boundaries'."

Sincerely,
Wolf I. Blitzer
Editorial Staff
Near East Report
Washington, DC

The English version of "242" does, indeed, say "from territories." The French version says "from the territories," implying all of them. Our article should have drawn attention to this unresolved ambiguity.
—The Editor.

EUROPEAN UNITY

*Willy Brandt, Chancellor of the Federal Republic of Germany, should be commended for his enlightened position vis-à-vis the unification of Western Europe [*European Community No. 172, page *13]. To many, it may seem that West Germany has a higher stake in EC unification than any other member. Perhaps this is true in that in a unified Europe she would have the leverage to deal directly with the Soviet Union with regard to the East German question.*

However, one must realize that the other EC nations would have a deep economic interest in being part of a united European Community. For instance, Belgium, France, Great Britain, Ireland, and Italy could use Dutch and West German surplus capital to develop their backward regions. This, in turn, may well contribute to the stabilization of their economies, and help alleviate other political and social problems.

The evolution of events in the last decade has shown that all the EC nations, except France, are in favor of a united Europe. To many, it would seem unreasonable for France to exhibit such intransigence for an objective that would portend considerable gain for her. If this is so, what then is the cause of such demeanor? Could it be that France loathes the idea of competing with powerful West Germany for the number one spot in a unified Europe? Or would one need to look at the aspirations of France, firmly embedded in its culture and history, to come up with an answer?

Whatever the case, a compromise must be reached between the parties in question if Europe is to evolve into a viable entity. Only when this is accomplished, the French, and not the West Germans, will step forward, and promote the idea of a united Europe.

Sincerely,
Michael Giammarella
New York, New York

BETTER THAN HITLER

*A postscript is necessary to the good letter of John F. Spencer [*European Community No. 172, *page 7]: In the 1880's and down to the Wagner Act, more than 50 years later, US management fought the trade unions more fiercely than in any other country. Frederick W. Taylor was used, actually and potentially, to turn workers into tools who could listen to orders. Later some unions used time and motion studies effectively. Now worker control is enjoying a revival in many places as the antidote to worker alienation. Hence Taylor's ideas of scientific analysis of job methods could still be useful.*

After all, the European Community has improved upon the ideas of Napoleon and Hitler for uniting Europe, and with the multinational corporations recognizes that the independent separate nation is no longer viable. Methods for creating leisure by improved work methods could also well be applied. Of course, too, by adapting Esperanto as the first foreign language for mankind, as the alternative cultural genocide for the minority nations and groups, the Community could assist in creating mutual understanding, save money, and gain efficiency in communication.

Sincerely,
Mark Starr
Esperanto League for North America
New York, New York

Recent Books

European Community *periodically lists books dealing with Community and Atlantic topics. Prices are also given when known. This presentation does not indicate approval or recommendation of these publications which can be purchased or ordered from most booksellers.*

National Monetary Policies and International Monetary Cooperation. By Donald R. Hodgman. Little, Brown and Company, Boston, 1974. 266 pages with index.

An examination of the monetary policies and credit systems of the six original EC member countries, plus Great Britain, including discussion of European monetary integration and international monetary reform.

The book's dual purpose is "to compare the workings of monetary and credit policy within specific national environments and to analyze the implications for international monetary cooperation of dissimilar national monetary and credit systems and objectives."

Individual chapters are devoted to each country. Concluding chapters give a comparative analysis of the effectiveness of monetary policy and European monetary integration and discuss international monetary reform.

Incomes Policy and Capital Sharing in Europe. By Derek Robinson. Croom Helm Ltd., London, 1973. 223 pages with notes and index.

A collection of papers dealing with incomes policies and capital sharing plans.

The papers were originally written for the Organization for Economic Cooperation and Development's Manpower and Social Affairs Directorate and other international study groups and conferences. The first part of the book discusses the feasibility and execution of incomes policies in several major European countries. The last part of the book deals with capital sharing programs for employers. The reactions of both employees and employers are discussed. Other chapters deal with productivity bargaining, forecasting, manpower requirements, trade unions, and multinational corporations.

Le Droit de l'Intégration: Emergence d'un phenomène nouveau dans les relations internationales selon l'expérience des Communautés Européennes. By Pierre Pescatore. A. W. Sijthoff, Leiden, and Institut Universitaire des Hautes Etudes Internationales, Geneva, 1972. 99 pages.

A study of European integration from the point of view of international law.

The author focuses on the restructing of institutions, of the legislative process, and of judicial powers. The author concludes that, in the long run, integrative relations have a more positive effect than traditional relations among nation-states.

Les Faits et Décisions de la Communauté Economique Européenne, 1965-1968, Volume II. By Hans Dorsch and Henri Legros. Editions de l'Université de Bruxelles, Brussels, 1973. 901 pages with index and bibliography.

An overview and chronology of the European Community from 1965 through 1968.

The book's first part gives a concise yet comprehensive summary of the European Community's evolution during this critical and transitional period in the fields of trade, competition, agriculture, social policy, transportation, energy, and external relations. The book's second part gives a chronological outline of the important EC institutional decisions in these fields during this period.

The Future of American Corporations in the European Economic Community. Edited by Heinz J. Neunteufel. Copyright by Heinz J. Neunteufel, Union College Graduate and Special Programs, Schenectady, New York, 1973. 590 pages with notes, maps, charts, tables, and information on contributors. $100.00

A collection of 26 studies around the theme of US multinational corporations in the European Community compiled by the editor in his capacity as professor of international business and director of the Union College Technical Institute.

The volume includes both broad discussions of US-EC relations and European integration and detailed examinations of such subjects as corporate structure in the EC countries, sources of financing corporations in the Community, and opportunities for American business in individual EC countries.

The Public International Law of Money. By M. R. Shuster. Oxford University Press, London, 1973. 356 pages with notes, tables, bibliography, and index. $19.25

A discussion of international monetary affairs from the point of view of international law.

In examining the rapidly expanding field of international law in monetary affairs, the author explores the process of international legal regulation through multilateral and bilateral treaty arrangements since World War II and the demise of the gold standard. The author calls for increased participation by the legal profession in an area in which lawyers have until recently been seldom involved.

American Labor and the Multinational Corporation. Edited by Duane Kujawa. Praeger Publishers, New York, Washington, and London, 1973. 286 pages with tables, figures, and notes. $18.50

A collection of 10 essays, with an introduction by the editor, detailing the contrasting positions of business and labor in regard to multinational enterprises.

The book focuses on American labor and US multinational corporations in the spheres of economic and industrial relations. In dealing with the domestic economic effects of multinational enterprises, the book presents both the "pro-business" and "pro-labor" positions. Aspects of US public policy are examined as possible solutions to the problem of avoiding human sacrifice while maintaining a flexible economic system.

The European Approach to Worker-Management Relationships. By Innis Macbeath. British-North American Committee, Washington and London, 1973. 92 pages with chart, notes, and appendices. $2.50

A discussion, for British and American audiences, of Continental European concepts and laws concerning labor-management relationships.

In June 1971 the British-North American Committee—sponsored by three non-profit research organizations, the British-North American Research Association in London, the National Planning Association in Washington, and the C. D. Howe Research Institute in Montreal—gave its attention to the rapid development of worker participation in industrial decision-making on the Continent. This book is the result.

Agriculture and the Common Market. By Stanley Andrews. Iowa State University Press, Ames, 1973. 183 pages with glossary, bibliography, and index. $7.95

A discussion of the European Community's common agricultural policy and the implications for US-EC trade relations.

The author traces the common agricultural policy from its origins in the Rome Treaty through the present and speculates on "the shape of things to come." Though one of the European Community's major successes, the common agricultural policy has posed problems for both the United States and the European Community. The author examines in detail US agricultural positions and agricultural implications of the enlarged Community.

Publications Available

Publications listed may be obtained from the European Community Information Service, Suite 707, 2100 M Street, NW, Washington DC 20037. Persons in the New York area can order copies from the New York office, 277 Park Avenue, New York City 10017.

STRENGTHENING OF THE BUDGETARY POWERS OF THE EUROPEAN PARLIAMENT. *Supplement No. 9/73, Bulletin of the European Communities,* Brussels, June 1973, 15 pages........free
Presented to the Council on June 8, 1973.

NEW PROPOSALS ON THE HARMONIZATION OF VAT. *Supplement No. 11/73, Bulletin of the European Communities,* Brussels, June 1973, 61 pages........free
Explanatory memorandum and proposed directive for a uniform basis of assessment of the value added tax (VAT) to ensure that the application of the tax will be identical under each national law. Presented to the Council on June 29, 1973.

MONETARY ORGANIZATION OF THE COMMUNITY. *Supplement No. 12/73, Bulletin of the European Communities,* Brussels, June 1973, 17 pages.............free
Report on the adjustment of short-term monetary support arrangements and the conditions for progressive pooling of reserves. Presented to the Council on June 28, 1973.

EUROPEAN COMMUNITY TRADE RELATIONS WITH EASTERN EUROPE. *Background Note* No. 1/1974, European Community Information Service, Washington, DC, January 16, 1974, 16 pages .... free
Includes trade statistics and a brief bibliography.

LA RECHERCHE INDUSTRIELLE SOUS CONTRAT DANS LES SIX PAYS DE LA COMMUNAUTE EUROPEENNE. *Research and Development Series* No. 6, and EUR 4915, Commission of the European Communities, Brussels, February 1973, 122 pages $3.00
Available in French or German. A study prepared by the European and International Center of the University of Grenoble, describing research under contract from research and development funds in the original members of the Community, the United Kingdom, and the United States. Analyzes the aeronautics, chemical, electronics, and metallurgy industries. Also discusses perspectives for subcontracting.

PROGRESS REPORT 1973. *Information Memo* No. 70/73, Spokesman's Group, Commission of the European Communities, Brussels, January 1974, 42 pages .... free
Brief review of the activities of the Commission in 1973.

COMMUNIQUE OF EUROPEAN COMMUNITY "SUMMIT" MEETING AND ANNEXES. *Background Note* No. 29/73, European Community Information Service, Washington, DC, December 20, 1973, 15 pages .... free
Communique of the December 14-15, 1973 meeting of the Heads of State or Government of the European Community in Copenhagen. Includes annexes on the energy situation and Europe's international identity.

EUROPEAN ECONOMIC INTEGRATION AND MONETARY UNIFICATION. Commission of the European Communities, Brussels, October 1973, 325 pages .. $0.25
Reports of a study group on the possibilities and means of achieving economic and monetary union. The first part of the report reflects the views of the whole study group. It is followed by individual reports of group members.

TENTH REPORT OF THE MINES SAFETY AND HEALTH COMMISSION. Commission of the European Communities, Brussels, June 1973, 200 pages $0.25
Annual report for 1972 on the activities of the Mines Safety and Health Commission. Includes reports of 11 working groups, lists of 1971 and 1972 regulations in the field, and accident statistics.

THE SURETYSHIP IN THE LAW OF THE MEMBER STATES OF THE EUROPEAN COMMUNITIES. *Competition: Approximation of Legislation Series* No. 14, Commission of the European Communities, Brussels, 1971, 115 pages $4.00
Study prepared by the Max-Planck Institute on the law governing the following aspects of personal security: the joint debt, guarantee, bills of exchange or promissory note, bailment, del credere, the credit order, credit insurance.

PROGRAM OF ENVIRONMENTAL ACTION OF THE EUROPEAN COMMUNITIES. *Supplement No. 3/73, Bulletin of the European Communities,* Brussels, April 1973, 67 pages..................$.60
Presented to the Council on April 17, 1973.

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